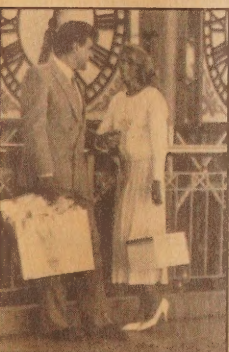


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The global trade challenge :
special tabloid supplement



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The Global Trade Challenge

Canada 

Can Canada compete on international trade?

Free Trade. New numbers show Canada's a winner!

NAFTA. Our North American market expands to 360 million people!

*Yes, we can!
Canadian exports prove it.*

How Canada trades with the rest of the world.

The GATT. Where Canada stands on worldwide trade talks.



Confronting the global trade challenge - Canada gets ready to take on the world and win.

Today, nothing affects the lives of people in countries throughout the world to a greater extent than international trade. And nowhere is this more true than in Canada.

Canada's commitment to being a major player in a stable international trading environment has a long history. As far back as 1947, we were present and participating in the foundation of the GATT (the General Agreement on Tariffs and Trade) in Geneva.

“We have received an increasing number of inquiries from Mexico. Economic improvements, coupled with the proposed NAFTA, have made the Mexican market more promising.”

John R. Downie, Marketing Manager,
Dy-Core Systems Inc., Vancouver

Since 1947, the GATT has conducted an ongoing series of meetings, called “rounds”, to progressively expand and define the areas and rules governing international trade. Currently, the “Uruguay Round” is nearing completion heralding significant possible changes to areas such as agriculture and trade in services. Canada has played and continues to play an active role in these negotiations.

While the GATT, and Canada's role in it, remains extremely important to our future, other international trading developments have caused us to pursue additional options as well. The most significant of these have been regional free trade agreements.

The evolution of the European Economic Community, for example, with a population of 360 million people, effectively rendered Canada an outsider. So we faced the prospect of becoming an isolated market of 27 million people caught between the massive European,

American and Asian markets. Hardly the place to be in a trading environment that is becoming increasingly global in scale.

“Mexico is the fastest growing North American economy so we may as well start looking at the possibilities. The Mexicans are for real.”

Stephen Van Houten, President,
Canada Manufacturers' Association,
Southam News, July 14, 1992

At the same time a rising tide of protectionism was taking place in the United States and Canada was getting caught in the crossfire. In just two years - 1985 and 1986 - the U.S. initiated 14 trade actions against Canadian exports.

The Canada/U.S. Free Trade Agreement (FTA) was negotiated partly in response to this rising tide of U.S. protectionism. Its intent was not to prevent all bilateral trade disputes - but to provide Canada with a mechanism to ensure that those disputes which inevitably arise are handled in a fair and expeditious manner. This goal has been achieved.

“Competition is your best friend. If there's no competition, then you become fat and lazy.”

Len VanderLugt, President,
Aldershot Greenhouses, Burlington,
quoted in Canadian Business,
August, 1992

Experts consider the FTA dispute settlement mechanisms to be better than those of the GATT. Not only is FTA dispute settlement faster, but Chapter 19 FTA panel decisions are binding on both governments. This prevents the U.S. from blocking decisions it doesn't like - a major weakness of the GATT. Indeed, the FTA has been suggested as a model for improving the GATT.

The success of the Canada/U.S. Free Trade Agreement has now led to the

proposed North American Free Trade Agreement (NAFTA), and the creation of an additional market for Canadian goods and services of some 85 million people, 20 million of whom are well off by Canadian standards.

Will a North American Free Trade Agreement be a panacea for Canada? No. Not any more than Canada/U.S. free trade has been.

“As we approach a new millennium the attitude is beginning to change. Issues such as free trade have forced Canadian business to break out of its isolation and search for global opportunities.”

Farrell Campbell,
Vice President and General Manager,
Mercair Inc. Aerospace Industries,
St-Laurent

But in today's global trade challenge, there is no free lunch. NAFTA will provide challenges and opportunities. Some day it could lead to a Western Hemisphere Free Trade Agreement linking both North and South America. And along with our continued role in the GATT and further trade negotiations in the Asia/Pacific region, it represents a significant aspect of how Canada is preparing to take on the world and win.

UNDER THE GATT, CANADA'S

AVERAGE PROTECTIVE TARIFF

HAS DECLINED FROM ABOUT

30% IN 1947 TO JUST 3.3% TODAY.

THROUGH ALL THIS TRADE

LIBERALIZATION, CANADA

HAS GROWN MORE PROSPEROUS.



Free Trade A Winner!

THE NUMBERS START TO ROLL IN - FREE TRADE BOOSTED EXPORTS, CREATED JOBS AND HELPED CUSHION THE RECESSION.

As Canada emerges from a global recession, bruised but less battered than many countries, evidence is mounting that free trade has indeed been working to our benefit.

In the period 1989-1991, Canadian merchandise exports to the U.S. grew by almost 11% to \$323.8 billion. Up from \$292.5 billion in the period 1986-1988.

Last year, Canada sold \$13.9 billion more to the U.S. than they sold to us. In fact, 1991 exports were up \$5.0 billion over 1988. That's worth remembering when you consider that every billion dollars worth of exports creates 15,000 Canadian jobs.

Free trade is helping create the kinds of jobs Canadians need to compete in today's global marketplace. The range as well as the quantity of Canadian exports is growing. And the numbers are impressive. Consider these growth statistics from 1988 to 1991:



PHARMACEUTICAL EXPORTS

are up 90%
to \$133 million



CHEMICAL PRODUCTS

are up 33%
to \$232 million



PLASTICS

are up 16%
to \$1.8 billion



MAN-MADE FILAMENT FIBRES

are up 133%
to \$200 million



CLOTHING (NOT KNITTED)

is up 89%
to \$179 million



ELECTRICAL MACHINERY

is up 74%
to \$5.7 billion



RAILWAY EQUIPMENT

is up 126%
to \$482 million



AEROSPACE PRODUCTS

and parts up 77%
to \$2.3 billion



FURNITURE

is up 28%
to \$1.3 billion

The fact is, Canada's export performance has been setting records. In May, U.S.-bound exports were \$9.9 billion, and total exports to the world increased for the sixth month in a row, hitting a record monthly high of \$12.9 billion. As a result, an all-time export record of \$75.5 billion was set in the first half of 1992, up 7.6% over 1991. Commenting on the export figures in the first four months of 1992, Earl Sweet, Assistant Chief Economist at the Royal Bank says, "the restructuring is starting to show results in our ability to export more, which helped bring an increase in manufacturing employment."

Since the FTA, no country has been able to take a larger share of the U.S. market for manufactured goods than Canada. According to Statistics Canada data, 19 of 22 Canadian industries gained share in their respective U.S. markets since the FTA.

The benefits of free trade have spread widely across the country. Most provinces have seen their exports to the United States increase since 1988.

ALBERTA
exports have increased
30% to \$11.8 billion
SASKATCHEWAN
exports have increased
18% to \$2.3 billion
QUEBEC
exports have increased
2.0% to \$17.7 billion
MANITOBA
exports have increased
2.4% to \$1.9 billion
ONTARIO
exports have increased
5.6% to \$58.8 billion
and are up 18% so far in 1992 over 1991

Exports are also up for P.E.I. and Nova Scotia exports are up a strong 11% so far in 1992 over 1991.

In **British Columbia**, dramatic gains have been made in sectors such as tool exports (up 180%); vehicles and parts (up 69%); and optical equipment (up 44%). And B.C. exports are up 18% so far in 1992 over 1991.

With the largest two-way trading relationship in the world, it should be no surprise that disputes arise between Canada and the U.S. What is surprising is that such disputes affect less than 5% of all the trade conducted. Even within that 5%, Canada has benefitted from the dispute resolution mechanisms of the FTA. Of 12 completed cases involving Canadian challenges of U.S. trade actions against Canada, 7 of 12 have resulted in positive results for Canada. If there had been no FTA, all these cases would have gone against Canada.

Perhaps the final comment on free trade should be left to Professor Peter Pauley of the University of Toronto. After extensive study, he concluded that the FTA has stimulated growth and lowered the unemployment and inflation rates, therefore lessening the severity of the recent recession.

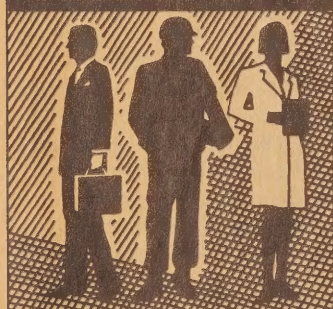
The Free Trade

RECORD EXPORTS TO U.S.



In April 1992, Canada's exports to the U.S. hit an all-time monthly high of \$10 billion. In June, U.S.-bound exports were \$9.9 billion. And Canada set an all-time high for exports to the world during the first half of 1992.

EXPORTS CREATE NEW JOBS



Every \$1 billion in exports generates 15,000 jobs, and Canada's exports to the U.S. are up \$31 billion in 1989-91 compared to 1986-1988. Given that, the FTA has played a positive role in the maintenance or generation of up to 500,000 jobs that have depended upon increased exports to the U.S.

FTA BRINGS HOME THE BACON



Early last year the highest trade authority in the U.S. was required by an FTA panel to reverse its finding that imports of Canadian pork threatened to injure the American industry. The result: duties against Canadian pork producers were revoked, collection of further duties stopped and \$17 million in duties paid were refunded to Canadian exporters.

JUSTICE FOR ALL. FASTER



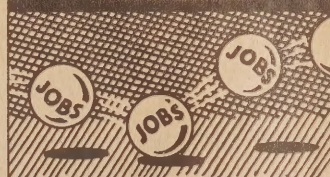
In the past, when a Canadian company appealed a U.S. government decision to the U.S. Court of International Trade, it had to wait an average of 26 months, and in some cases as long as 53 months, for a decision. By contrast, the average time for FTA panel decisions has been 10.5 months.

BETWEEN FRIENDS



In at least 10 instances, the FTA has been used successfully by Canada to head off and protect us from new and potentially damaging U.S. trade legislation.

ON THE REBOUND



With increasing exports, manufacturing employment is rebounding: hitting 1,803,000 in July - up 113,000 from the March low.

SERVICING THE U.S. MARKET



Thanks to the FTA, for the first time Canadians can enter the U.S. for short periods to sell their services and earn income. 8,971 did just that in 1991 - up 145% since 1989.

ADVANTAGE CANADA



Last year, Canada sold \$13.9 billion more to the U.S. than came north. U.S.-bound exports were up \$5.0 billion in 1991 over 1988. And Canada's merchandise trade surplus with the U.S. in the first six months of 1992 is running at an annual rate of \$17 billion.

SHARING PROSPERITY



According to Statistics Canada, data, 19 of 22 Canadian industries gained share in their respective U.S. markets since the FTA.

e Scoreboard

REVERSAL OF FORTUNES



Canada's share of the U.S. market fell off in the mid-eighties. According to Statistics Canada data, that trend reversed after the introduction of the FTA. Meanwhile, the U.S. share of Canadian market has decreased from 28.3% in 1986 to 27.5% in 1991.

CONSUMERS SAVE BIG



Statistics Canada data shows that lower duties on imports from the U.S. have resulted in savings to Canadian consumers of some \$167 million in 1991 alone, with total savings to Canadian business and consumers in 1991 of some \$700 million.

OFF WITH THEIR TARIFFS



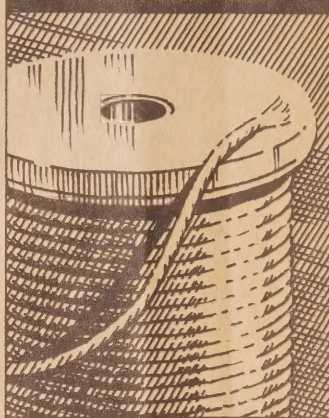
Almost a thousand Canadian companies have demonstrated their belief in free trade by pushing for accelerated tariff removal. To date, tariffs have been removed faster than called for in the FTA on \$8 billion in two-way trade.

DUTY-FREE CANOLA OIL



On January 1st, 1992, the U.S. tariff on canola oil was eliminated. This saves Alberta canola growers as much as \$3 million a year in U.S. duties. So how much would that be in, say, 20 years?

A MATERIAL WORLD



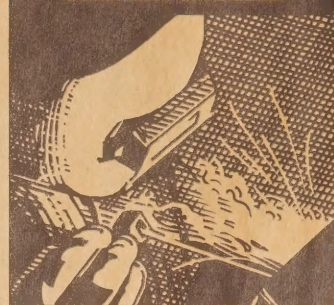
Since FTA, our apparel exports to the U.S. have increased by 60%, yarn exports have more than doubled, fibre exports are up 50% and fabric exports by 15%. Under NAFTA there is now room for even more growth.

YES, WE CAN!



In part due to increased investment in plant and equipment to be competitive under the FTA, Canada is becoming dramatically more productive. Wood Gundy forecasts call for manufacturing productivity to be up as much as 8% in 1992 and 12% in 1993.

INVESTING IN PEOPLE



Last year the government spent \$3.1 billion to provide training and adjustment programs for approximately 630,000 Canadians. This year we will spend \$3.55 billion to do the same for another 650,000 workers. Canada spends 35 times more per capita on adjustment programming than the U.S.

INVESTING IN CANADA



The FTA has helped attract offshore investment and create jobs in Canada. Several examples:

Hitachi Canadian Industries Ltd.,
Saskatoon, Saskatchewan
Nikon Optical Canada,
Montreal, PQ
YHS Pacific Fruit Concentrate,
Chilliwack, B.C.



NAFTA.

Our North American market expands to 360 million people.



Initial agreement has just been reached to create the world's biggest and richest free trade market. The proposed NAFTA (the North American Free Trade Agreement) brings Canada, the United States and Mexico together into a free trade area even larger than the European Economic Community. And Canada stands to be a big beneficiary.

By being part of NAFTA, Canada protects its ability to attract off-shore investment to serve the North American market. Had a separate agreement been signed between Mexico and the United States, only a company located in the United States would have had free access to the entire North American market, negatively affecting Canada's competitive position.

With a booming economy and 85 million consumers, Mexico represents a massive market opportunity for Canadian business. As demonstrated by the \$500 million contract recently awarded to SHL Systemhouse of Ottawa to redesign, implement and manage a new computer system for the Mexican government's finance department, Canadian firms have the specialized skills and knowledge to complement Mexico's economic development efforts.

Mexico is already Canada's largest trading partner in Latin America, with two-way trade exceeding \$3 billion in 1991. That figure is expected to double by the end of the decade. And, by eliminating Mexican import tariffs and other barriers to trade, NAFTA will rectify the present situation which has 80% of Mexican goods already entering Canada duty-free, while most Canadian goods and services face barriers entering Mexico (in effect, one-way free trade in Mexico's favour).

Canadian firms are already working hard to develop new export opportunities in the Mexican market, and the vast majority - over 80% - are small and medium-sized businesses.

In January of this year, Canada mounted its largest ever trade show in Latin America. Canada Expo 92 attracted more than 200 Canadian companies to Monterey, Mexico.

The results: over \$3 million in on-site sales and more than \$80 million in projected sales. In addition, 2,113 Canadian exporters visited our Embassy in Mexico in 1991 while 2,921 have visited in the first six months of 1992, all actively pursuing local market opportunities. These efforts are starting to generate results: **Canada's exports to Mexico rose 105% to \$316 million in the period January through May 1992 over the year earlier period.**

Canada needs NAFTA. We're a trading nation. Over 25% of our GDP comes from trade. One in every four Canadian jobs is directly related to trade. And given our small home market, trade is the only way to maintain our high standard of living.

CANADIAN EXPORT OPPORTUNITIES IN MEXICO

- By 1994, the total North American auto parts market will be worth \$12.8 billion.
- Computer software is a Canadian strength. That market alone could be worth \$1.4 billion in Mexico.
- Mexico is the world's 13th largest market for machine tools and imports 90% of its needs.
- The oil and gas equipment market in Mexico is worth over \$2 billion.
- Mexico will buy over \$600 million worth of plastics and resins this year.
- Mexico's market for pollution control equipment and technology is worth \$280 million and growing.
- Mexico will be updating and improving its telecommunications system to the tune of \$30 billion over the next 10 years.
- NAFTA will grant immediate access into Mexico for Canadian-made medium and heavy duty trucks and buses, and immediate, significant improvements in access for automobiles. Domestic auto, truck and bus manufacturers believe NAFTA will lead to more production and jobs in Canada.

Canadians can compete.

The rapid growth in Canadian exports to such low-wage countries as Malaysia (up 61% to \$296 million in 1991 over 1988) and Thailand (up 33% to \$357 million),

speaks volumes about the capabilities of Canadian men and women and the reputation Canadian products and services command in international markets. And this

year's surge in Canadian exports to Mexico confirms that we have what it takes to boost our share of that expanding market.

The GATT. Where Canada stands on worldwide trade talks.

Right now, representatives of 108 countries are in Geneva trying to hammer out new rules for international trade.

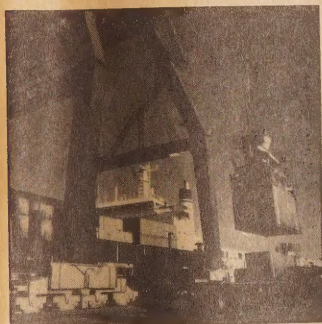
Called the "Uruguay Round", the current series of negotiations has been ongoing for six years. Canada, as a founding member of the GATT, has been

at the table all the way and, like the other nations, hopes to see a successful conclusion before year end.

Among the difficult issues being addressed at the GATT negotiations are rules on services, intellectual property and agricultural subsidies. As a major

player in all three sectors and as the world's 8th largest economy, Canada has a lot at stake. That's why GATT membership has been, and remains, a cornerstone of Canada's international trade policy.

Yes, we can! Canadian exporters prove it.



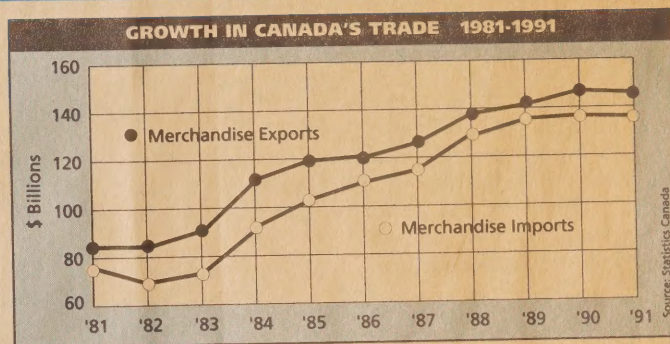
Canada is coming out of the recession and exports are leading the recovery. For the first six months of 1992, Canada's exports hit an all-time high!

Canada/U.S. free trade has played a major role in this export success story. Since 1988, our cumulative exports to the U.S. are up almost 11%. In April of this year, our exports to the United States hit an all-time high of \$10 billion. And our current merchandise trade surplus with the U.S. is running at an annual rate of \$17 billion.

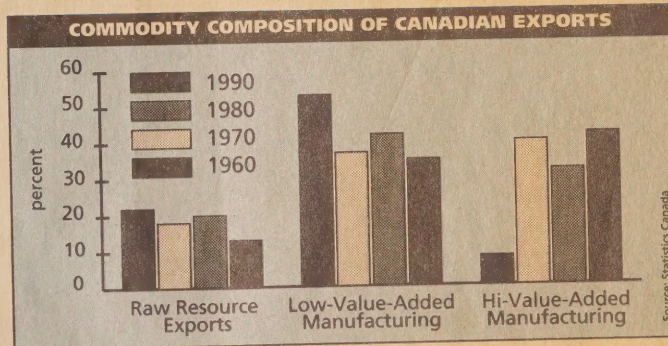
Can Canada compete? Yes, we can. And our exporters are proving it.

HOW CANADA TRADES WITH THE REST OF THE WORLD

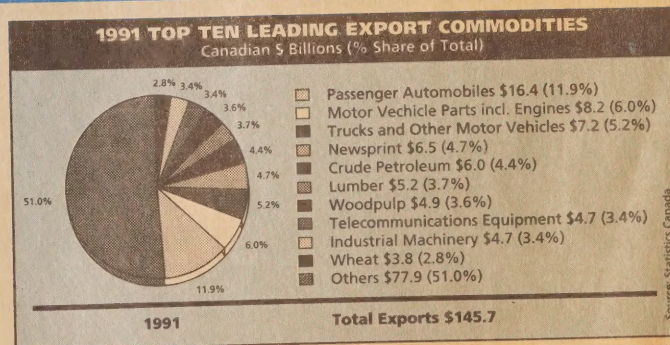
Note the strong upsurge in exports following the Canada/U.S. Free Trade Agreement signed in 1988. This year, exports are setting all-time records.



Canada is changing from a raw materials exporter to an exporter of job-creating, high value-added manufactured goods.



High technology products are becoming an increasingly important component of Canada's export mix.





A Letter from Michael Wilson



Our ability to compete in international markets underpins Canada's prosperity: 30% of our economic activity is generated by exports. One in four Canadian jobs depends on trade.

The policies and initiatives that the Canadian Government is pursuing, among them trade liberalization through the multi-national negotiations of the GATT, free trade with the U.S. and Mexico, and the Prosperity Initiative, recognize this reality. They are part of a wider plan to ensure our access to foreign markets, increase the competitiveness of our industry, and provide long-term opportunities for individual Canadians.

Canada treads this path with countries everywhere. From Sweden to India and China to Argentina the world community has recognized that freer trade and larger markets are beneficial. Nations and peoples have resoundingly said no to the policies of the past, so discredited in eastern Europe and elsewhere: closed economies, central planning, policies which are anti-business and policies which undermine the incentive to work are recipes for economic and environmental hardship.

While there are different opinions on the impact of the Canada-U.S. Free Trade Agreement (FTA), I believe it is incorrect to attribute our economic problems to the FTA. A large part of the blame for the economic difficulties we have experienced rests with a global recession that has affected all major trading nations: the U.S. alone lost 1.5 million manufacturing jobs in 1991.

The facts, as outlined in this tabloid, indicate that the FTA actually helped us weather the recent recession. Contrary to what the critics predicted, the Canadian wine industry is thriving, clothing and textile manufacturers are exporting record volumes, the U.S. is looking at adopting our medicare system, environmental standards and our cultural industries are stronger than ever, and the dollar has not been held to some artificial ceiling.

The North American Free Trade Agreement (NAFTA) builds on the achievements of the Canada-U.S. FTA and complements Canada's efforts to achieve greater access to markets outside North America through the GATT. NAFTA secures for us access to the world's wealthiest and largest free trade area, at a time when our major competitors are moving rapidly toward greater economic integration.

History has continually demonstrated the benefits of liberalized trade. As the Auto Pact and 45 years of tariff reduction under the GATT have shown, freer trade with the U.S., Mexico and other countries will be profoundly beneficial to Canada.

Sincerely yours,

Michael H. Wilson

Minister of Industry, Science and Technology
and Minister for International Trade



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Canada

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